

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GTE SOUTH)	
INCORPORATED FOR AN ORDER)	
AUTHORIZING THE ISSUANCE AND SALE)	CASE NO. 92-286
OF SECURITIES)	

O R D E R

On August 3, 1992, GTE South Incorporated ("GTE") filed an application for authority to issue and sell up to \$225,000,000 of its First Mortgage Bonds and/or debentures. GTE will register the new securities with the Securities and Exchange Commission ("SEC") under the "shelf registration" provisions of SEC Rule 415. The securities will be issued in one or more series from time to time not earlier than the first day the securities are approved by all regulatory authorities and registered and authorized by the SEC and not later than two years after the registration statement becomes effective with the SEC.

The proceeds from the sale of the securities will be used to pay off short-term borrowings estimated to be approximately \$75 million previously incurred to finance construction activities and to redeem certain debt issues up to \$150 million in principal amount outstanding to reduce GTE's overall cost of capital. These issues are more fully described as the Company's First Mortgage Bonds, Series S due 2001, carrying a coupon rate of 8-3/4 percent, Series X due 2005, carrying a coupon rate of 9-3/8 percent,

Kentucky issue due July 1, 1999, carrying a coupon rate of 9.95 percent, Series DD due 2027, carrying a coupon rate of 9-1/2 percent, and Series EE due 2017, carrying a coupon rate of 11 percent. The outstanding bonds will be redeemed over the next two years, if and when conditions in the bond market make it advantageous to do so. GTE believes that it can issue new securities at a reduced rate which would be to the benefit of GTE and its ratepayers.

In the alternative, if GTE determines its needs are no greater than \$75,000,000, GTE seeks authority to issue and sell up to \$75,000,000 of First Mortgage Bonds and/or debentures from its existing shelf registration. In Case No. 90-065,¹ GTE was authorized to issue, sell, and deliver new securities in the form of First Mortgage Bonds and/or Promissory Notes in one or more transactions over a two-year period with the aggregate principle amount not to exceed \$200,000,000 through underwriters to the public either through competitive bidding or negotiated price. GTE, subsequently, issued \$125,000,000 worth of securities leaving \$75,000,000 shelf registration. GTE proposes to use the remaining \$75,000,000 shelf registration in this application. The termination date of this authority was to be no later than two years after the registration statement became effective. The registration statement became effective May 22, 1990, therefore, the authority granted GTE by this Commission to deliver securities

¹ Case No. 90-065, Application of GTE South Incorporated For an Order Authorizing the Issuance and Sale of Securities, dated May 25, 1990.

under the 1990 shelf registration has expired. GTE would amend its existing shelf registration previously filed with the SEC.

GTE proposes through its application to deviate from the USOA with regard to the amortization of premium expenses incurred on reacquired debt and unamortized discount and expense associated with the debt to be reacquired. On July 19, 1989, GTE filed an application in Case No. 89-201² which sought a waiver from Part 32 of the Federal Communications Commission ("FCC") rules that require call premiums and unamortized discounts and expenses associated with redeemed debt to be expensed currently. The Commission found in that case that selective deviation from FCC rules would frustrate the intent and the application of the rules. The Commission further found that if bonds can be refinanced at a lower cost, they should be regardless of whether current earnings are artificially depressed over the short term.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by GTE of up to \$225,000,000 of First Mortgage Bonds and/or debenture are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper

² Case No. 89-201, Application of GTE South Incorporated For a Waiver and Authority to Amortize the Call Premium Expenses and the Unamortized Costs of Issuance Expenses in Connection With Previous Authority Granted to Sell First Mortgage Bonds and/or Promissory Notes in the Amount of \$150,000,000.

performance of its service to the public, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. GTE is authorized to issue, sell, and deliver up to \$225,000,000 of its First Mortgage Bonds and/or debentures in one or more transactions over a two-year period through underwriters to the public either through competitive bidding or negotiated sale or on a private placement basis at a negotiated price. The termination date of this authority shall be not later than two years after the new or amended registration statement becomes effective with the SEC.

2. If the proceeds are used to refinance existing bonds, as set forth herein, GTE shall file a report showing that the effective overall embedded cost of GTE has been minimized as a result of such refinancing.

3. GTE shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

4. GTE shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution. GTE shall also provide actual journal entries used to record these transactions.

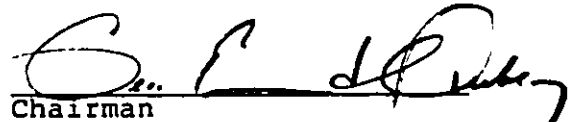
5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

6. GTE shall conform to the Order in Case No. 89-201 and expense any call premiums and unamortized discounts and expenses associated with the redeemed securities for Kentucky intrastate reporting purposes.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 2nd day of October, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director